



United States
**Office of
Personnel Management**

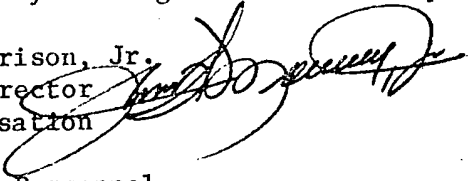
Washington, D.C. 20415

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In Reply Refer To

Your Reference:

Subject: Social Security Coverage for Federal Employees

From: James W. Morrison, Jr.
Associate Director
for Compensation 

To: Directors of Personnel

Public Law 98-21, The Social Security Amendments of 1983, extends Social Security coverage to newly-hired Federal employees, as well as various groups of current Federal employees, effective January 1, 1984.

Social Security withholdings are made from an employee's pay up to a maximum amount specified by the Department of Health and Human Services for a given year. The maximum amount of pay subject to Social Security withholdings for 1983 was \$35,700. The Department of Health and Human Services has recently announced that the employee contribution base for 1984 has been increased to \$37,800.

In order to bring you up-to-date concerning the effects of P.L. 98-21 and to assist you in counseling employees in the future, we are providing you with an informational summary of the provisions of P.L. 98-21 which directly affect current and future Federal employees. The summary has been prepared by the Social Security Administration and is followed by a listing of contacts and telephone numbers in SSA for additional information.

We will provide you detailed or additional information on this subject as it becomes available.

Attachment

THE SOCIAL SECURITY AMENDMENTS OF 1983

H.R. 1900/P.L. 98-21
(Enacted April 20, 1983)

Summary of Provisions of Public Law 98-21 Directly
Affecting Federal Agencies and Federal Employees

Section 101: Coverage of Newly Hired Federal Employees

Provides coverage under Social Security for the following groups:

- (1) all new Federal employees hired on or after January 1, 1984, including executive, legislative, and judicial branch employees and including those with previous periods of Federal service (provided the break in service has exceeded 365 days);
- (2) current employees of the legislative branch who are not participating in the Civil Service Retirement System on December 31, 1983;
- (3) all Members of Congress, the President and the Vice-President, Federal judges, and most other executive-level political appointees of the Federal Government, effective January 1, 1984.

This provision specifically includes services performed in the following categories:

- (1) in a position placed in the Executive Schedule under sections 5312 through 5317 of title 5, United States Code,
- (2) as a noncareer appointee in the Senior Executive Service or a noncareer member of the Senior Foreign Service, or
- (3) in a position to which the individual is appointed by the President (or his designee) or the Vice-President under section 105(a)(1), 106(a)(1), or 107(a)(1) or (b)(1) of title 3, United States Code, if the maximum rate of basic pay for such position is at or above the rate for level V of the Executive Schedule.

This section also includes a statement of principle on protecting accrued entitlement of current Federal employees under the Civil Service Retirement System (CSRS). However, rehired Federal civilian annuitants are specifically excluded from Social Security coverage.

Section 113: Elimination of Windfall Benefits for Individuals Receiving Pensions From Noncovered Employment

For workers who are first eligible after 1985 for both (1) a pension based on noncovered employment (a pension system which is not integrated with Social Security and for which FICA taxes are not withheld, such as the present Civil Service Retirement System), and
(2) Social Security retirement or disability benefits, a different benefit computation method will apply. 1/

Specifically, the 90-percent factor generally applied to average indexed earnings in the first band of the Social Security benefit formula is replaced by a factor of 40 percent, after a 5-year phase-in. A guarantee, designed to help protect workers with relatively low pensions based on noncovered employment, provides that the reduction in the Social Security benefit will not exceed one-half of the amount of the pension. For purposes of this guarantee computation, only that portion of the pension attributable to post-1956 noncovered earnings will be considered.

The provision includes exemptions for certain groups, including Federal employees who become newly covered under Social Security effective January 1984, solely as a result of the new law, and workers who have 30 or more years of Social Security coverage. For workers who have 26-29 years of coverage, a factor larger than 40 percent will be used on a sliding scale.

Section 123: Employee-Employer Tax Rate Schedule and 1984 Tax Credit

Accelerates previously scheduled FICA tax rates for OASDI from 1985 to 1984, and advances part of the scheduled 1990 increase to 1988.

The new law also provides, for 1984 only, a credit for employees against their FICA tax liability of 0.3 percent. This means that the effective OASDI tax rate for employees in 1984 is 6.7 percent; however, the regular automatic appropriations to the Social Security trust funds will be at the 14.0 percent FICA rate as if employees and employers were each paying 7.0 percent. (The 0.3% difference will be made up from federal general revenues.)

1/ A person is considered first eligible for a pension when he or she meets the minimum age and length-of-service requirements and first eligible for Social Security benefits upon reaching age 62 or becoming disabled.

The OASDHI tax rate schedule for employees and employers, each, under the new law is shown below.

	EMPLOYEE RATE			EMPLOYER RATE			COMBINED RATE
	OASDI	HI	TOTAL	OASDI	HI	TOTAL	
1983	5.4	1.3	6.7	5.4	1.3	6.7	13.40
1984	5.4	1.3	6.7	5.7	1.3	7.0	13.70
1985	5.7	1.35	7.05	5.7	1.35	7.05	14.10
1986-1987	5.7	1.45	7.15	5.7	1.45	7.15	14.30
1988-1989	6.06	1.45	7.51	6.06	1.45	7.51	15.02
1990 and later	6.2	1.45	7.65	6.2	1.45	7.65	15.30

The 1983 maximum amount of annual earnings to which the FICA tax rate applies is \$35,700. This amount, also referred to as the wage base, is automatically adjusted each year to take account of increases in average earnings in the economy. The Social Security Administration must publish the wage base for the succeeding calendar year in the Federal Register by November 1 of each year.

Section 308: Credit for Certain Military Service

Permits, under certain circumstances, widowers to waive the right to a civil service survivor's annuity and receive credit (not otherwise possible) for military service prior to 1957 for purposes of determining eligibility for, and the amount of, Social Security survivors' benefits. Under prior law, only widows were allowed to exercise this option. This provision is effective with respect to monthly benefits payable for months after April 1983.

Section 337: Public Pension Offset

Provides that for spouses and surviving spouses, who become eligible for their public pension based on noncovered employment after June 1983, the amount of the public pension used for purposes of the offset against Social Security benefits will be equal to only two-thirds of the public pension. The 1977 amendments generally provided that the amount of a Social Security spouse's or surviving spouse's benefit is offset dollar for dollar by the full amount of any pension the spouse may receive based on his or her own work in governmental employment not covered by Social Security.

For Further Information About Social Security

° General Informational Materials and Presentations on Social Security

Saundra Harman or Louis Toler, Office of Governmental Affairs, FTS 934-2571 or 987-1295.

° Technical Issues on Provisions of P.L. 98-21

- Extension of Coverage and Employee-Employer Tax Rate Schedule (Sections 101 and 123)

Bruce Dailey, Office of Retirement and Survivors Insurance, FTS 934-3666.

- Elimination of Windfall Benefits (Section 113)

Robert Shenton, Office of Retirement and Survivors Insurance, FTS 934-6826.

- Credit for Certain Military Service (Section 308)

Harold Lipsky, Office of Retirement and Survivors Insurance, FTS 934-6813.

- Public Pension Offset (Section 337)

Richard Harron, Office of Retirement and Survivors Insurance, FTS 934-6216.

SSA/OGA
September 1983